

2007 Emerging Issues Forum

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Treasurer
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Panel Two: Revisiting GASB 45

GASB 45: Is It Really Chasing the Impossible Dream?

GASB 45: Is It Really Chasing the Impossible Dream?

PERAC Emerging Issues Forum

June 26, 2007

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Treasurer, Town of Wellesley



Group health insurance costs

<u>Fiscal</u>	<u>Levy Limit</u>	<u>Group Health Costs</u>	<u>% of Levy Limit</u>
1984	\$ 23,188,803	\$ 662,000	2.9%
1995	36,280,787	3,575,000	9.9%
2007	75,522,011	11,397,000	15.1%
2011	89,590,941	19,989,000	22.3%

*Annualized assumptions: 12% growth in premiums, \$3m
OPEB funding, \$1.5m new growth*



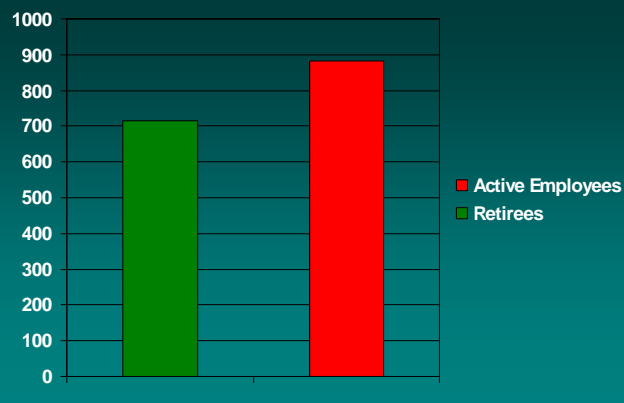
Retiree health insurance costs

<u>Fiscal</u>	<u>Projected Benefit Payments*</u>	<u>Amortization of Unfunded Liability</u>	<u>Total Retiree Costs</u>
1984	< \$200K	-	< \$200K
1995	< \$1M	-	< \$1M
2007	\$ 5.2M	\$.6M	\$ 5.8M
2011	\$ 7.1M	\$ 3.0M	\$ 10.1M

** Per 1/1/06 Segal OPEB valuation*



Employees/Retirees Receiving Health Benefits – 1/1/06





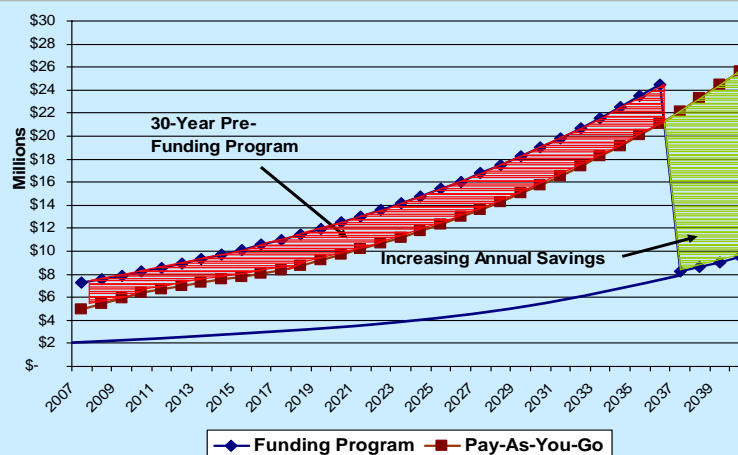
How big is it?

\$101,000,000 (01/01/06) – based on service to-date

- Growing
 - Interest bearing (like a mortgage)
 - Earlier retirements
 - Increasing longevity
 - Growing number of retirees

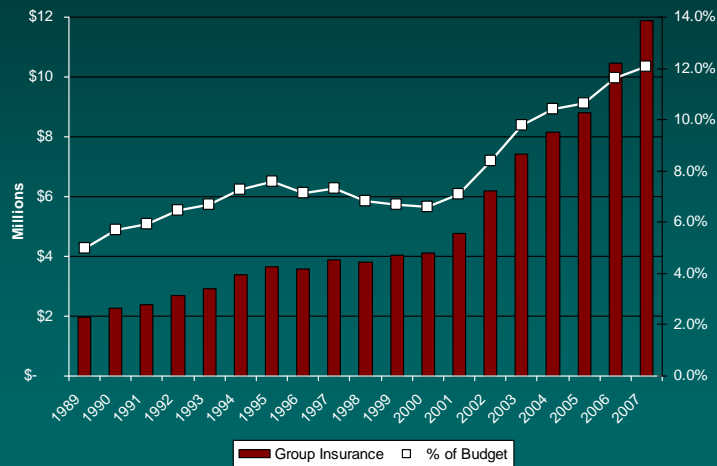


Pre-Fund vs. Pay-Go





Growth in Group Health Insurance vs Budget



Group Health Initiatives

To Date:

- Consortium Purchasing Economies
- Wellness Initiatives
- Section 18 election
- OPEB Funding

Going Forward:

- State Legislation, e.g. GIC Participation
- Plan Re-design
- Adjust Cost Sharing
- Rules and Regulations

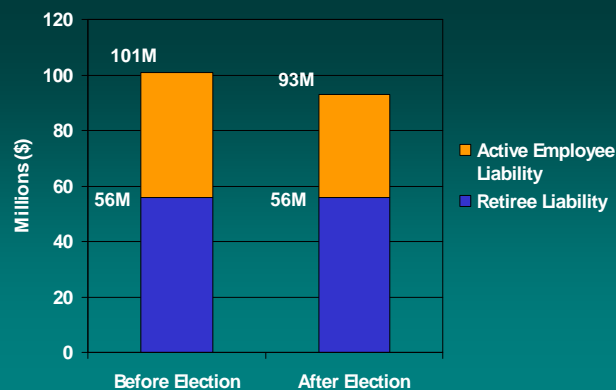


Benefits to Town of Adopting Section 18

- Immediate Impact/OPEB Liability: \$8M
- Future Savings
 - Retirees under age 65
 - Active Employees
 - Active Plan Premium Savings
- Trend in WSHG and neighboring towns



OPEB Funding Program with Section 18 election





Why fund now?

- Reduce overall cost
- Lessen pressure for future overrides
- Planning stability



What is the Plan?

Special Legislation

- Ch.88 of the Acts of 2004-"There shall be in the Town of Wellesley a Group Insurance Liability Fund...for the purposes of meeting the current and future premium costs and claims costs payable by the Town on behalf retired employees..."
- Ch.25 of the Acts of 2007-"Shall the Town of Wellesley be allowed to assess \$___ in real estate and personal property taxes for each of the fiscal years in the period... for the purpose of funding said Town's Group Insurance Liability Fund?"



Rate Saver Plan Design

PLAN FEATURE	HARVARD PILGRIM CURRENT OFFERING	HARVARD PILGRIM RATE SAVINGS PLAN
Front-end Deductible	None	None
Out of Pocket Max.	None	\$2,000/\$4,000
Office Visit copay	\$5	\$20
O.V. Specialist copay	\$5	\$40
ER copay	\$30	\$75
Inpatient Copay	None	\$250
Same Day Surgery copay	None	\$125
Diag. Imaging copay	None	None
Rx - retail mail order	\$5/\$19/\$25 \$10/\$20/\$75	\$10/\$25/\$45 \$20/\$50/\$90
Chiropractic	None	12 visit max. not to exceed \$500/yr.



Wellesley vs. Peer Communities Town Cost

	ACTIVE PLANS		MEDICARE PLANS
	<u>HMOs</u>	<u>Indemnity</u>	
Wellesley	80%	50%	50%
Brookline	75%	75%	75%*
Lexington	84%	80%	80%**
Needham	71%	50%	50%
Wayland	70%	50%	50%
Weston	80-90%	50%	70-77%

* Pays 50% of Part B premium

** No subsidy for Part B premium



Rules and Regulations

- **Permanent Part-time Employee Eligibility** For the purpose of these Rules and Regulations permanent part-time eligibility is further defined as follows:
 - (a) An employee who actually works a minimum of twenty (20) hours per week in seven out of every eight-week period.
 - (b) Part-time teachers classified as 0.5 FTE or greater.
 - (c) All other school-year employees regularly working twenty (20) hours per week during the school year.



Rules and Regulations-continued

Other subjects to be covered by rules and regulations:

- **Employees with Expanded Work Schedules**
- Divorced or Separated Spouses
- Retiree Eligibility
- Retention of Insurance While on Unpaid leave
- **Participants With Same-gender Spouses**



How Do You Spell Success?

Question 1- \$18,000,000 over ten years for Group Insurance Liability Fund		
YES	3328	67.90%
NO	1573	32.10%
BLANKS	37	
Totals	4901	



For More Information

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